



DEPARTMENT OF  
**FINANCE**

ARNOLD SCHWARZENEGGER, GOVERNOR

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April 28, 2009

Mr. Lester A. Snow, Director  
Department of Water Resources  
P.O. Box 942836, Room 1115-1  
Sacramento, CA 94236-0001

Dear Mr. Snow:

**Final Audit Report—City of Redding's Clover Creek Preserve Project Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its grant audit of the City of Redding's Clover Creek Preserve Project, SAP Contract 4600003313 for the period August 28, 2003 to August 28, 2006.

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, this report will be placed on our website.

We appreciate the assistance and cooperation of the City of Redding. If you have any questions, please contact Frances Parmelee, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Steve Strong, Director of Finance, City of Redding  
Ms. Sarah Haddox, Senior Redevelopment Project Coordinator, City of Redding  
Mr. Stein Buer, Chief, Division of Flood Management, Department of Water Resources  
Ms. Laura Bermudez, Environmental Scientist, Division of Flood Management,  
Department of Water Resources  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural  
Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency

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AG<sub>GRANT</sub>AUDIT

City of Redding

Proposition 13 Bond Program

SAP Contract  
4600003313



Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Frances Parmelee, CPA  
Manager

Rich Hebert  
Supervisor

Staff  
Michael Bratman  
Kenneth Rading

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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300 Capitol Mall, Suite 801  
Sacramento, CA 96814  
(916) 322-2985

## BACKGROUND

In March 2000, California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act (Proposition 13), which authorized the State of California to sell \$1.97 billion in general obligation bonds. The bond proceeds provide funds for safe drinking water, water quality, flood protection, and water reliability programs. Proposition 13 also provides funding for the protection, restoration, and interpretation of the diverse cultural influences and extraordinary human achievements that have contributed to the unique development of California. The Department of Water Resources (DWR) is one of many state departments that administer Proposition 13 programs.

The DWR awarded the City of Redding (City) a \$2.7 million grant for the Clover Creek Preserve Project, which is an open space park consisting of approximately 128 acres. The Clover Creek Project includes a 7-acre lake, 46-acre flood basin, and 75 acres of native grassland that may be converted to recreational use in the future. The City has enhanced the Clover Creek Project by building walkways, restroom facilities, drinking fountains, and other amenities to enhance public access and enjoyment. Finally, in the event of a '100 Year' flood, the Clover Creek Project provides a flood basin to protect over 5,000 acres of land designated as the Clover Creek Watershed area, as well as surrounding residential homes and facilities.

## SCOPE

In connection with the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted an audit of the following grant:

| <u>SAP</u><br><u>Contract</u> | <u>Funding</u><br><u>Source</u> | <u>Audit Period</u>                | <u>Awarded</u> |
|-------------------------------|---------------------------------|------------------------------------|----------------|
| 4600003313                    | Proposition 13                  | August 28, 2003 to August 28, 2006 | \$2,700,000    |

The audit objective was to determine whether the City's contract revenue and expenditures were in compliance with applicable laws, regulations, and contract requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

City management is responsible for ensuring accurate financial reporting and compliance as well as evaluating the efficiency and effectiveness of the program. The DWR along with the California Natural Resources Agency is responsible for state-level administration of the bond programs.

## METHODOLOGY

To determine whether contract revenue and expenditures were in compliance with applicable laws, regulations, and contract requirements, we performed the following procedures:

- Examined the grant agreement, applicable policies and procedures, and the grant files maintained by DWR.
- Reviewed the Clover Creek Project's planning documents, other project materials, and correspondence.
- Interviewed key fiscal personnel to obtain an understanding of the grant-related internal controls.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Verified and validated the *Requests for Reimbursement* submitted by the City to DWR to ensure expenditures reimbursed by DWR (including costs claimed by the City's subcontractors) were supported, allowable, contract-related, incurred within the contract period, supported by accounting records, and properly recorded.
- Perform a site visit to verify project existence.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering the bond funds. The audit was conducted from November 2008 through April 2009.

Finance conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations, based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

## RESULTS

Based on the audit procedures performed, the City was in compliance with applicable laws, regulations, and the contract requirements. Revenue earned from the Post Construction Project Maintenance Fund was expended for eligible activities. The claimed, audited, and questioned amounts are presented in Table 1.

**Table 1: Schedule of Claimed, Audited, and Questioned Amounts**

| <b>SAP Contract 4600003313</b>                                 |                |                |                   |
|--|----------------|----------------|-------------------|
| <b>For the Audit Period August 28, 2003 to August 28, 2006</b> |                |                |                   |
| <b>Category</b>  | <b>Claimed</b> | <b>Audited</b> | <b>Questioned</b> |
| Primary Construction Flood Control                             | \$ 576,444     | \$ 576,444     | \$ 0              |
| Environmental Restoration and Enhancement                      | 1,085,341      | 1,085,341      | 0                 |
| Visitor, Recreational, and Educational Improvements            | 609,292        | 609,292        | 0                 |
| General Project Administration                                 | 28,923         | 28,923         | 0                 |
| Post Construction Project Maintenance <sup>1</sup>             | 400,000        | 400,000        | 0                 |
| Interest from Maintenance Endowment Fund                       | 45,474         | 45,474         | 0                 |
| Total Expenditures   | \$2,745,474    | \$2,745,474    | \$ 0              |

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<sup>1</sup> The City placed \$400,000 of funds into their Pooled Money Investment Fund to establish a maintenance endowment fund, which resulted in \$45,474 in earned interest income over four years. The contract allowed the City to use this earned income to help offset maintenance costs for the site.